



PERSONNEL AND  
READINESS

UNDER SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-4000

SEP 21 2006



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF  
DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
INSPECTOR GENERAL OF THE DEPARTMENT OF  
DEFENSE  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION  
DIRECTOR, NET ASSESSMENT  
DIRECTOR, FORCE TRANSFORMATION  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DEFENSE FIELD ACTIVITIES

Subject: Implementation of Recruitment, Relocation, and Retention Incentives

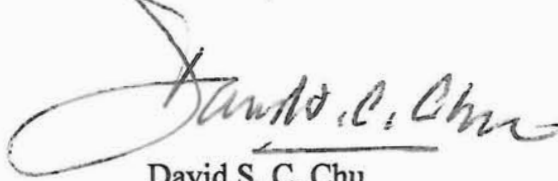
The attached Department of Defense (DoD) policy and plan implement amendments to sections 5753 and 5754 of title 5, United States Code, expanding the flexibilities DoD can use to recruit and retain employees more effectively. The applicable sections of Subchapter 575 of DoD 1400.25-M, Civilian Personnel Manual (CPM), December 1996, and the interim DoD plan, "Recruitment, Relocation, and Retention Incentives," issued on May 24, 2005, are superseded.

The interim plan authorized the immediate continued payment of incentives, making only those changes necessary to conform with part 575 of title 5, Code of Federal Relations, released on May 13, 2005. The attached policy and plan, however, authorize incentives up to 100 percent of the employee's salary, provide options for payment, and establish procedures for requesting OPM approval when enhanced incentives with



reduced service periods are necessitated by a critical need. Subchapter 575 of DoD 1400.25-M, CPM, will be revised to incorporate the new provisions.

This memorandum is effective immediately.

A handwritten signature in dark ink, appearing to read "David S. C. Chu", is written over a horizontal line. The signature is fluid and cursive.

David S. C. Chu

Attachment:  
As stated

**Department of Defense  
Policy and Plan  
Recruitment, Relocation and Retention Incentives**

**A. General Information**

1. Chapter 57, subchapter IV, of title 5, United States Code (U.S.C.), and part 575 of title 5, Code of Federal Regulations (CFR), establish the conditions for, and authorize the payment of, recruitment, relocation, and retention incentives to Federal employees as defined in 5 CFR 575.102. This document supersedes sections SC575.4.1. and SC575.4.2. of Subchapter 575, “Recruitment and Relocation Bonuses; Retention Allowances; and Supervisory Differentials,” of Department of Defense (DoD) 1400.25-M, Civilian Personnel Manual, December 1996, and the interim guidance issued by Principal Deputy Under Secretary of Defense (Personnel and Readiness) memorandum “Implementation of Recruitment, Relocation, and Retention Incentives,” dated May 24, 2005.
2. Designees. Secretaries of the Military Departments and Heads of Defense Agencies and DoD Field Activities with independent appointing authority for themselves and their serviced organizations may approve recruitment, relocation, and retention incentives. The authority may be further delegated, in writing, for use in accordance with this guidance. Management officials delegated the authority for approving the incentives are hereafter referred to as “authorized management officials.”
3. Employees eligible for the incentives include those assigned to General Schedule positions, senior-level (SL) and scientific or professional (ST) positions (paid under 5 U.S.C. 5376), Senior Executive Service positions (paid under 5 U.S.C. 5383 as career appointees), Executive Schedule positions (paid under 5 U.S.C. 5311-5317), law enforcement officer and prevailing rate positions, and positions to which the Office of Personnel Management (OPM) has extended eligibility.
4. Employees who are ineligible for incentives include:
  - a. Employees in positions to which an individual is appointed by the President, either by and with the advice and consent of the Senate, or without the advice and consent of the Senate;
  - b. Employees in positions in the Senior Executive Service as noncareer appointees (as defined in 5 U.S.C. 3132(a)); or

- c. Employees in positions excepted from the competitive service by reason of their confidential, policy-determining, policy-making, or policy-advocating nature.

## **B. Recruitment Incentives**

### **1. Authorization of Recruitment Incentives.**

- a. An authorized management official may approve recruitment incentives paid under this policy for an employee newly appointed (as defined in 5 CFR 575.102) to a position that is likely to be difficult to fill. Determinations to pay the incentive must be made before the prospective employee enters on duty.
- b. An authorized management official may approve recruitment incentives if the employee signs a written agreement to complete a required service period of not less than six months nor more than four years of employment with the DoD Component.
- c. An authorized management official may approve recruitment incentives up to 25 percent of an employee's annual rate of basic pay at the beginning of the service period (to include either locality pay or a special rate supplement).
- d. An authorized management official will determine the percentage of the recruitment incentive based on one or more of the criteria listed in B.1.g.(i) of this policy and any supplemental criteria added by the DoD Component. The approved percentage, not to exceed 25 percent, will be multiplied by the number of years (including fractions of a year) in the service period, not to exceed four years (See 5 CFR 575.109(b)).
- e. OPM may waive the 25 percent limitation on recruitment incentives based on a critical agency need and set the limitation at up to 50 percent of an employee's annual rate of pay at the beginning of a service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed two years. In no event may the employee's total recruitment incentive exceed 100 percent of the employee's annual rate of pay at the beginning of the service period. An authorized management official will submit requests for waiver, through DoD Component Headquarters, to Director, DoD Civilian Personnel Management Service, Field Advisory Services,

1400 Key Boulevard, Arlington, VA 22109. Each waiver request will provide the information required by 5 CFR 575.109(c)(2).

- f. An authorized management official may target groups of similar positions identified as difficult to fill, establish criteria in advance for offering recruitment incentives to all newly appointed employees in the targeted group, and authorize an official who is not lower than a candidate's supervisor to offer a recruitment incentive (in any amount within a pre-established range) to a candidate without further review or approval. Group incentives may not be paid to employees in SL or ST positions, employees appointed as Senior Executive Service career employees, employees in Executive Schedule positions, or employees in similar categories for which payment of recruitment incentives has been approved by OPM (See 5 CFR 575.105(b)).
- g. Recruitment incentives must be approved by an authorized management official who is at least one level higher than the employee's (or group of employees, if applicable) supervisor unless there is no higher level in the DoD Component.
  - (i) In determining whether to grant a recruitment incentive, the authorized management official must consider: availability and quality of candidates, including the success of recent recruitment efforts; recent turnover in similar positions; salaries paid for similar positions outside the Federal government; employment trends and labor-market factors; special or unique competencies required for the position; organization efforts to use nonpay authorities (e.g., worksite alternatives, work scheduling flexibilities); the desirability of the duties, work or organizational environment, or geographic location of the position; and other supporting factors. (See 5 CFR 575.106(b)(1-8)).
  - (ii) Positions may be considered to meet the eligibility criteria listed in B.1.g.(i), above, if OPM has approved the use of a direct-hire authority for the position (or group of positions) under 5 CFR, Part 337, Subpart B.
  - (iii) The requirement to obtain higher-level approval does not apply when criteria have been set in advance to ensure the timely payment of recruitment incentives.
- h. Each determination to pay a recruitment incentive must be documented. The written justification should include:

- (i) The determination that the position is likely to be difficult to fill in the absence of the incentive;
- (ii) The supporting factors used to authorize the incentive;
- (iii) The reasons for determining the amount and timing of the payments; and
- (iv) The reasons for determining the length of the service period.

## 2. Payment of Recruitment Incentives

- a. The employee must sign a service agreement prior to receiving any recruitment incentive payments. (See B.3. of this policy)
- b. DoD will pay recruitment incentives as specified in the employee's service agreement. The incentives may be paid by any of the following methods:
  - (i) In a lump sum at the beginning of the service period stated in the agreement;
  - (ii) In equal or variable installment payments throughout the service period; or
  - (iii) As a final lump-sum payment at the end of the specified service period.
- c. The recruitment incentive (either as a lump sum or as the first of a series of installment payments) may be paid to an employee who has not yet reported to duty once he/she has signed a service agreement.
- d. Recruitment incentives are not part of an employee's rate of basic pay for any purpose.
- e. Payment of the recruitment incentive to DoD employees not covered by the National Personnel Security System (NSPS) is subject to the aggregate limitation on pay under 5 CFR 530, Subpart B. Payment of the recruitment incentive to NSPS employees is subject to the aggregate limitation on pay under SC1930.8.2. of Subchapter 1930 of the DoD Civilian Personnel Manual.

## 3. Service Agreement Requirements.

- a. Employee service agreements required for recruitment incentives must contain the following information—

- (i) The period of service (in months and years) agreed to by the employee and the total amount authorized for payment.
- (ii) The actual beginning and ending dates of the service period. The service period must begin on the first day of an employee's service with the organization and end on the last day of a pay period. There are two exceptions—
  - 1. If the employee begins work on other than the first day of the pay period, the service period will begin on the first day of the next pay period; or
  - 2. If the employee is required to complete a probationary period or an initial period of formal training, the employee's service period may be delayed until the beginning of the pay period following the completion of the probationary or training period. Since the authorized management official must approve the recruitment incentive before the employee enters on duty, the service agreement also must specify that there is no obligation to pay any portion of the incentive if the employee does not successfully complete the probationary period or the training.
- (iii) The method of payment and, if paid in installments, the date and amount of each installment payment.
- (iv) The conditions under which the authorized management official must terminate the agreement (i.e., if an employee is demoted or separated for cause, or receives a rating of record of less than "Fully Successful" or equivalent).
- (v) The terms or conditions that may result in termination of the service agreement (e.g., insufficient funds, reassignment to a different type of position).
- (vi) The extent to which periods of time on detail, in a nonpay status, or in a paid leave status are creditable towards completion of the service period.
- (vii) The consequence of both voluntary and management decisions to terminate service agreements (e.g., conditions under which the employee must repay any unearned portion of the incentive he/she may already have received).
- (viii) A statement that the decision to terminate a service agreement may not be grieved or appealed.

b. Service agreements will terminate when an employee is demoted for cause, is separated for cause, or receives a less than "Fully Successful" or equivalent rating of record (See 5 CFR 575.111(b)). In addition, the authorized management official may unilaterally

terminate the agreement based solely on management needs such as reduction in force or insufficient funds.

- (i) An employee who fails to complete the period of service specified in the service agreement for the reasons stated in B.3.b. above, or otherwise fails to fulfill the terms of the service agreement, must reimburse DoD for the amount of all benefits received under the existing agreement that are in excess of the amount attributable to completed service.
- (ii) An employee who does not complete the period of service because the authorizing official unilaterally terminates a service agreement based solely on a management need is entitled to all incentive payments already received.
- (iii) The authorized management official must notify an employee in writing when an employee's service agreement is terminated.
- (iv) Employees may not grieve or appeal decisions to terminate the agreement.
- (v) The debt collection process for continuing employees is outlined in DoD 7000.14-R, Department of Defense Financial Management Regulation (DoDFMR), Volume 8, while that for debtors no longer in Government service is found in DoDFMR, Volume 5.

### **C. Relocation Incentives**

#### **1. Authorization of Relocation Incentives.**

- a. An authorized management official may approve relocation incentives paid under this policy to a current Federal employee who must relocate, without a break in service, to accept a position in a different geographic area (as defined in 5 CFR 575.205(b)) that is likely to be difficult to fill.
- b. An authorized management official may approve relocation incentives whether the relocation is permanent or temporary.
- c. An authorized management official may approve relocation incentives if the employee signs a written agreement to complete a service period of not less than six months nor more than four years of continued employment with the DoD Component.
- d. An authorized management official may approve relocation incentives up to 25 percent of an employee's annual rate of basic pay



at the beginning of the service period (to include either locality pay or a special rate supplement).

- e. The authorized management official will determine the percentage of the relocation incentive based on one or more of the criteria listed in C.1.k.(i) of this policy and any supplemental criteria added by the DoD Component. The approved percentage will be multiplied by the number of years (including fractions of a year) in the service period, not to exceed four years (See 5 CFR 575.209(b)).
- f. OPM may waive the 25 percent limitation on relocation incentives based on a critical agency need and set the limitation at up to 50 percent of an employee's annual rate of pay at the beginning of a service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed two years. In no event may the employee's total relocation incentive exceed 100 percent of the employee's annual rate of pay at the beginning of the service period. Authorized management officials will submit requests for waiver, through the DoD Component Headquarters, to Director, DoD Civilian Personnel Management Service, Field Advisory Services, 1400 Key Boulevard, Arlington, VA 22109. Each waiver request will provide the information required by 5 CFR 575.209(c)(2).
- g. An authorized management official must make the determination to pay a relocation incentive before the employee enters on duty in the position to which relocated. However, the employee must establish a residence in the new geographic area before the relocation incentive is paid.
- h. To be eligible for a relocation incentive, the employee must have a rating of record of at least "Fully Successful" or equivalent for the position held immediately before the move.
- i. An authorized management official may waive the requirement to make case-by-case determinations and approve group relocation incentives under the following conditions—
  - (i) The employee is a member of a group of employees subject to a mobility agreement and relocation incentives are necessary to ensure continuation of operations; or
  - (ii) A major organizational unit is relocated to a new duty station and the relocation incentives will ensure continued operations of that unit without undue disruption to

operations or functions deemed essential to the DoD Component's mission.

- j. Decisions to approve group incentives must be supported by written determinations that specify the group of covered employees, the conditions requiring the group incentive, and the period of time during which authorization of the group incentive is valid.
- k. Relocation incentives must be approved by an authorized management official who is at least one level higher than the employee's (or group of employees, if applicable) supervisor unless there is no higher level in the DoD Component.
  - (i) In determining whether to grant an incentive, the authorized management official must consider: availability and quality of candidates, including the success of recent recruitment efforts; recent turnover in similar positions; salaries paid for similar positions outside the Federal government; employment trends and labor-market factors; special or unique competencies required for the position; organization efforts to use non-pay authorities (e.g., worksite alternatives, work scheduling flexibilities); the desirability of the duties, work or organizational environment, or geographic location of the position; and other supporting factors. (See 5 CFR 575.206(b)(1-8)).
  - (ii) Positions may be considered to meet the eligibility criteria listed in C.1.k.(i) if OPM has approved the use of a direct-hire authority for the position (or group of positions) under 5 CFR, Part 337, Subpart B.
  - (iii) The requirement to obtain higher-level approval does not apply when the requirement to approve relocation incentives on a case-by-case basis has been waived (See C.1.i.).
- l. Each determination to pay a relocation incentive must be documented. The written justification should include:
  - (i) The determination that the position is likely to be difficult to fill in the absence of the incentive;
  - (ii) The supporting factors used to authorize the incentive;
  - (iii) The reasons for determining the amount and timing of the payments;

- (iv) The reasons for determining the length of the service period;
- (v) Affirmation that the employee's new position is in a different geographic area (i.e., worksite of the new position is 50 or more miles from the worksite of the position held immediately before the move or affirmation that the 50 mile requirement was waived); and
- (vi) Affirmation that the employee established a residence in the new geographic area.

## 2. Payment of Relocation Incentives.

- a. The employee must sign a service agreement prior to receiving any relocation incentive payments. (See C.3. of this policy)
- b. The Department will pay relocation incentives as specified in the employee's service agreement. The incentives may be paid by any of the following methods:
  - (i) In a lump sum at the beginning of the service period stated in the agreement;
  - (ii) In equal or variable installment payments throughout the service period; or
  - (iii) As a final lump-sum payment at the end of the specified service period.
- c. Relocation incentives are not part of an employee's rate of basic pay for any purpose.
- d. Payment of the relocation incentive to DoD employees not covered by the National Personnel Security System (NSPS) is subject to the aggregate limitation on pay under 5 CFR 530, Subpart B. Payment of the relocation incentive to NSPS employees is subject to the aggregate limitation on pay under SC1930.8.2. of Subchapter 1930 of the DoD Civilian Personnel Manual.

## 3. Service Agreement Requirements.

- a. Employee service agreements required for relocation incentives must contain the following information—
  - (i) The period of service (in months and years) agreed to by the employee and the total amount authorized for payment.

- (ii) The actual beginning and ending dates of the service period. The service period must begin on the first day of an employee's service date at the new duty station and end on the last day of a pay period. There are two exceptions—
    - 1. If the employee begins work at the new duty station on other than the first day of the pay period, the service period will begin on the first day of the next pay period; or
    - 2. If the employee is required to complete an initial period of formal training, the employee's service period may be delayed until the beginning of the pay period following the completion of the training period. Since the authorized management official must approve the relocation incentive before the employee enters on duty at the new duty station, the service agreement also must specify that there is no obligation to pay any portion of the incentive if the employee does not successfully complete the training.
  - (iii) The method of payment, and, if paid in installments, the date and amount of each installment payment.
  - (iv) The conditions under which the authorized management official must terminate the agreement (i.e., if an employee is demoted or separated for cause, or receives a rating of record of less than "Fully Successful" or equivalent).
  - (v) The terms or conditions that may result in termination of the service agreement (e.g., insufficient funds, reassignment to a different type of position).
  - (vi) The extent to which periods of time on detail, in a nonpay status, or in a paid leave status are creditable towards completion of the service period.
  - (vii) The consequence of both voluntary and management decisions to terminate service agreements (e.g., conditions under which the employee must repay any unearned portion of the incentive he/she may already have received).
  - (viii) A statement that the decision to terminate a service agreement may not be grieved or appealed.
- b. Service agreements will terminate when an employee is demoted, is separated for cause, or receives a less than "Fully Successful" or equivalent rating of record (See 5 CFR 575.211(b)). In addition, the authorized management official may unilaterally terminate the agreement based solely on management needs such as reduction in force or insufficient funds.

- (i) An employee who fails to complete the period of service specified in the service agreement for the reasons stated in C.3.b. above, or otherwise fails to fulfill the terms of the service agreement, must reimburse DoD for the amount of all benefits received under the existing agreement that are in excess of the amount attributable to completed service.
- (ii) An employee who does not complete the period of service because the authorizing official unilaterally terminates a service agreement based solely on a management need is entitled to all incentive payments already received.
- (iii) The authorized management official must notify an employee in writing when an employee's service agreement is terminated.
- (iv) Employees may not grieve or appeal decisions to terminate the agreement.
- (v) The debt collection process for continuing employees is outlined in DoD 7000.14-R, Department of Defense Financial Management Regulation (DoDFMR), Volume 8, while that for debtors no longer in Government service is found in DoDFMR, Volume 5.

## **D. Retention Incentives**

### **1. Authorization of Retention Incentives.**

- a. An authorized management official may approve a retention incentive paid under this policy to an employee who has unusually high or unique qualifications, or when the organization has a special need for the employee's services that makes it essential to retain the employee, and the employee would be likely to leave the Federal service in the absence of an incentive (e.g. employee receives an offer of employment from a private firm).
- b. Individual retention incentives may be up to 25 percent of an employee's rate of basic pay (including locality pay or a special salary supplement).
- c. OPM may waive the limitations on retention incentives and set the limitation at up to 50 percent of an employee's annual rate of pay based on a critical agency need. Requests must be based on determinations that the employee's (or group of employees') unusually high or unique qualifications are critical to the successful

accomplishment of an important mission or project (e.g., programs or projects related to a national emergency or projects implementing a new law). Authorized management officials will submit requests for waiver, through the DoD Component Headquarters, to Director, DoD Civilian Personnel Management Service, Field Advisory Services, 1400 Key Boulevard, Arlington, VA 22109. Each waiver request will provide the information required by 5 CFR 575.309(e)(2).

- (i) Requests must be based on determinations that the employee's (or group of employees') unusually high or unique qualifications are critical to the successful accomplishment of an important mission or project (e.g., programs or projects related to a national emergency or projects implementing a new law).
  - (ii) Each waiver request will provide the information required by 5 CFR 575.309(e)(2).
- d. Authorized management officials may approve retention incentives for a group of employees under the following conditions—
  - (i) The unusually high or unique qualifications of the group or a special need of the organization for the employees' services makes it essential to retain the employees in that group or category; and
  - (ii) There is a high risk that a significant number of the employees in the group would be likely to leave the Federal service in the absence of the group retention incentive.
- e. Group retention incentives may be up to 10 percent of an employee's rate of basic pay unless the DoD Component seeks a waiver under the provisions of D.1.c. above.
- f. Group retention incentives may not be paid to employees in SL or ST positions, employees in Executive Schedule positions, or employees in similar categories for which payment of recruitment incentives has been approved by OPM (See 5 CFR 575.305(c)).
- g. The authorized management official will determine the percentage of the individual or group retention incentive, based on one or more of the criteria listed in D.1.h.(i) and (ii) of this policy, respectively, and in any supplemental guidance provided by the DoD Component.

- h. Retention incentives must be approved by an official who is at least one level higher than the employee's (or group of employees, if applicable) supervisor unless there is no higher level in the DoD Component.
  - (i) In determining whether to grant an individual retention incentive, the authorized management official must consider: availability and quality of candidates, who, with minimal training, could perform the duties of the position; the success of recent efforts to recruit and retain employees with similar competencies; special or unique competencies required for the position; organizational efforts to use non-pay authorities to help retain employees (e.g., worksite alternatives; work scheduling flexibilities); the desirability of the work, organizational environment, or geographic location of the position; salaries paid for similar positions outside the Federal government; the extent to which the employee's departure would affect the organization's ability to carry out an activity, perform a function, or complete a project deemed mission-essential; and other supporting factors. (See 5 CFR 575.306(b)(1-8)).
  - (ii) In determining whether to grant a group retention incentive, the authorized management official must narrowly define the group and consider one or more of the following: occupational series; grade level; distinctive job duties; unique competencies required for the position; assignment to a special project; minimum service requirements; organization or team designation; geographic location; or other factors deemed essential by the organization. (See 5 CFR 575.306)(c)(2)).
  - (iii) The requirement to obtain higher-level approval does not apply when approving coverage of individual employees under a previously approved group retention incentive.
- i. Each decision to pay a retention incentive must be documented. The written justification should include:
  - (i) The determination that the unusually high or unique qualifications of the employee (or group of employees) or a special need of the agency for the employee's (or group of employees') services makes it essential to retain the employee(s);

- (ii) The determination that the individual employee, or a significant number of a targeted group of employees, would be likely to leave the Federal service in the absence of the incentive;
  - (iii) The reasons for determining the amount and timing of the payments; and
  - (iv) The reasons for determining the length of the service period, if a period of service is required.
- j. An authorized management official may not approve a retention incentive prior to an individual's employment with the DoD Component.

## 2. Payment of Retention Incentives.

- a. The employee must sign a service agreement prior to receiving any retention incentive payments. The only exception is for retention incentives paid in bi-weekly installments.
- b. Retention incentives may be paid in a single lump-sum payment after the completion of the full service period or in installments after the completion of specified periods of service.
  - (i) An authorized management official may not approve the payment of a retention incentive as an initial lump-sum payment at the start of a service period or as an installment paid in advance.
  - (ii) Single lump-sum payments paid upon completion of the service period are derived by multiplying the retention incentive percentage rate established for the employee (or group of employees) by the total basic pay earned by the employee during the full service period.
  - (iii) An installment payment is derived by multiplying the rate of basic pay the employee earns in the installment period by the percentage not to exceed the percentage established for the employee by the authorized management official.
  - (iv) Installments may be paid after the completion of specified periods of service using variable percentages for each installment. If this method is used, the organization must pay the accrued but unpaid portion of the retention incentive as part of the final payment upon completion of the service agreement.



- (v) Service agreements are not required for retention incentives paid in biweekly installments unless the incentive is granted under the provisions of D(1)(h) of this policy or the employee received a reduced percentage for each installment made prior to the final payment.
- c. When an authorized management official determines no service agreement is required, he/she must certify, at least annually, the continuing need for the retention incentive payments.
- d. DoD Components may not authorize a retention incentive prior to employment with the DoD Component or during periods of employment established under any service agreement required for payment of recruitment and relocation incentives under this plan.
- e. Retention incentives must be terminated when employees for whom no service agreement is required move to a different position. In addition, the incentives must be reduced or terminated whenever payment at the level originally approved is no longer warranted. Factors to consider include the following—
  - (i) Amount, if any, necessary to retain the employee (or group of employees);
  - (ii) Availability of qualified candidates;
  - (iii) Budget conditions; and
  - (iv) Other supporting factors.
- f. DoD Components may begin payments of relocation incentives without affecting the payment of an existing retention incentive.
- g. Retention incentives are not part of an employee's rate of basic pay for any purpose.
- h. Payment of the retention incentive to DoD employees not covered by the National Personnel Security System (NSPS) is subject to the aggregate limitation on pay under 5 CFR 530, Subpart B. Payment of the retention incentive to NSPS employees is subject to the aggregate limitation on pay under SC1930.8.2. of Subchapter 1930 of the DoD Civilian Personnel Manual.

### 3. Service Agreement Requirements.

a. Employee service agreements required for relocation incentives must contain the following information—

- (i) The period of service (in months and years) agreed to by the employee.
- (ii) The actual beginning and ending dates of the service period. The service period must begin on the first day of a pay period and end on the last day of a pay period.
- (iii) The retention incentive percentage rate, the method of payment, and, if paid in installments, the method of installment payments (i.e., equal percentage rates or reduced percentage rates per installment with a final lump-sum payment of the accrued but unpaid amount of the incentive).
- (iv) The conditions under which the authorized management official must terminate the service agreement (i.e., if an employee is demoted or separated for cause, or receives a rating of record of less than “Fully Successful” or equivalent).
- (v) The terms or conditions that may result in termination of the service agreement (e.g., insufficient funds, reassignment to a different type of position).
- (vi) The extent to which periods of time on detail, in a nonpay status, or in a paid leave status are creditable towards completion of the service period.
- (vii) The consequence of both voluntary and management decisions to terminate service agreements (e.g., conditions under which the employee must repay any unearned portion of the incentive he/she may already have received).
- (viii) A statement that the decision to terminate a service agreement may not be grieved or appealed.

b. Service agreements will terminate when an employee is demoted, is separated for cause, or receives a less than “Fully Successful” or equivalent rating of record (See 5 CFR 575.311(b)). In addition, the authorized management official may unilaterally terminate the agreement based solely on management needs such as reduction in force or insufficient funds.

- (i) An employee who fails to complete the period of service specified in the service agreement for the reasons stated in D.3.b. above, or otherwise fails to fulfill the terms of the

service agreement, must reimburse the Department for the amount of all benefits received under the existing agreement that are in excess of the amount attributable to completed service.

- (ii) An employee who does not complete the period of service because the authorizing official unilaterally terminates a service agreement based on a management need is entitled to all incentive payments already received.
- (iii) An employee is not entitled to any accrued, unpaid amount attributable to completed service unless required by the terms of the service agreement.
- (iv) The authorized management official must notify an employee in writing when an employee's service agreement is terminated. The employee is entitled to receive any scheduled incentive payments through the end of the pay period in which the written notice is provided or until the date of separation, if sooner.
- (v) Employees may not grieve or appeal decisions to terminate the agreement.
- (vi) The debt collection process for continuing employees is outlined in DoD 7000.14-R, Department of Defense Financial Management Regulation (DoDFMR), Volume 8, while that for debtors no longer in Government service is found in DoDFMR, Volume 5.

#### **E. Documentation**

1. Each authorized management official is responsible for ensuring that records documenting the determination to pay incentives are maintained.
2. Personnel actions will be processed through the Defense Civilian Personnel Data System (DCPDS) in accordance with OPM processing instructions.

#### **F. Accountability**

1. The Heads of DoD Components shall ensure appropriate and effective use of these authorities to support mission requirements and to conform to merit system principles.
2. The Authorized Management Officials shall:
  - a. Determine which positions require the payment of an incentive and establish the terms of the service agreements;

- b. Annually review retention incentives, adjust payment amounts as warranted by conditions that have changed since the incentive was authorized, and record the results of this review in writing;
- c. Initiate a request for an OPM waiver to the 25 percent limitation when the DoD Component determines the competencies required for the position are critical to the successful completion of an important mission;
- d. Terminate service agreements consistent with this policy; and
- e. Keep accurate records of written determinations.